



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
Honolulu, Hawaii 96809-0339

February 26, 2015

Memorandum

TO: The Honorable Sylvia Luke, Chair
House Committee on Finance

FROM: Rachael Wong, DrPH, Director

SUBJECT: **H.B. 582 HD 1 - RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Hearing: Friday, February 27, 2015; 11:00 a.m.
Conference Room 308, State Capitol

PURPOSE: The purpose of the bill is to continue the Nursing Facility Sustainability Program for an additional year, appropriate funds out of the Nursing Facility Program Special Fund. Appropriates funds out of the Nursing Facility Sustainability Program Special Fund for Fiscal Year 2015-2016.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) supports this measure that proposes to extend the Nursing Facility Sustainability Program for another year. The DHS and the Healthcare Association of Hawaii have worked collaboratively on the Nursing Facility Sustainability Program Fund and this bill will continue to help sustain nursing facilities so that there will be continued access to needed resources by the residents of the State.

In reviewing H.B. 582 HD 1, the recommended language from the Department of Attorney General was adopted which included the addition of a new SECTION 5 that will be effective

June 29, 2015. Therefore to ensure SECTION 5 is correctly implemented, we respectfully ask for the following technical amendment to be made to SECTION 8, paragraph (2):

"(2) Sections 3, 4 and 5 of this Act shall take effect on June 29, 2015."

This measure also preserves the exemption from section 36-27, Hawaii Revised Statutes (HRS) and section 36-30, HRS. Without these two exemptions from the Central Services expenses fee (section 36-27) and the Department Administrative expenses fee (section 36-30), the Nursing Facility Sustainability Program will have to pay \$600,000 in Central Services expenses assessed under section 36-27 and \$120,000 for Departmental Administrative services expenses assessed under section 36-30 for state fiscal year 2016. This is a total of \$720,000 that the DHS will not be able to use for direct services that would help sustain nursing facilities and improve services to Medicaid recipients.

The Nursing Facility Sustainability Program fee is levied on non-governmental nursing facilities and the revenue from the program fee is used to leverage federal funds and increase reimbursements to nursing facilities, with a greater benefit to those providing proportionately more services to Medicaid recipients. These additional moneys will increase the sustainability of nursing facilities in Hawaii to continue as a critical part of the long-term care safety-net.

In fiscal year 2012-2013, the nursing facilities were assessed \$11,535,405 in sustainability fees and received \$21,086,740 in additional reimbursement; in fiscal year 2013-2014 nursing facilities were assessed \$11,436,642 and received \$20,906,201 in additional reimbursement. In fiscal year 2014-2015 it is anticipated that the nursing facilities will be assessed \$10,346,784 in fees and receive \$21,614,340 in additional reimbursements.

The DHS utilized the entire 12% (\$1,400,000) of the sustainability fees authorized for use by the DHS to fund a portion of the restoration of the 3% reduction in reimbursement rates for



Chamber of Commerce HAWAII

The Voice of Business

**Testimony to the House Committee on Finance
Friday, February 27, 2015 at 11:00 A.M.
Conference Room 308, State Capitol**

**RE: HOUSE BILL 582 HD1 RELATING TO THE NURSING FACILITY
SUSTAINABILITY PROGRAM**

Chair Luke, Vice Chair Nishimoto, and Members of the Committee:

The Chamber of Commerce of Hawaii ("The Chamber") **supports** HB 582 HD1, which continues the Nursing Facility Sustainability Program for one additional year and appropriates funds out of the Nursing Facility Sustainability Program Special Fund for Fiscal Year 2015-2016.

The Chamber is the largest business organization in Hawaii, representing over 1,000 businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

This bill helps the state and Hawaii hospitals utilize this program to leverage much needed federal dollars for nursing facilities. A sustainable hospital network and health care industry is vital to the health of our employees, business, and our overall quality of life.

Thank you for the opportunity to testify.



THE QUEEN'S HEALTH SYSTEMS

To: Chair Sylvia Luke
Vice Chair Scott Y. Nishimoto
House Committee on Finance

From: Paula Yoshioka
Senior Vice President
The Queen's Health Systems

Re: HB 582 HD 1, Relating to the Nursing Facility Sustainability Program
Hearing—February 27, 2015 at 11:00 AM

The Queen's Health Systems would like to express strong support for HB 582 HD 1, a bill relating to the Nursing. This bill would reauthorize the Nursing Facility Sustainability Program for an additional year.

The Nursing Facility Sustainability Program issues a fee on nursing facilities in the state. The revenue generated by this fee is used to draw down matching federal funds. Nursing facilities, in turn, receive an increased reimbursement rates from the state based on the number of Medicaid patients they serve.

Nursing facilities in Hawaii are an integral part of the continuum of care that our community relies on. Extending this program for another year will help to ensure that our most underserved families have access to needed care.

We ask that you support the continuation of the Nursing Facility Sustainability Program. Your favorable vote on this bill will allow collaborative efforts between the Hawaii Department of Human Services, the Healthcare Association of Hawaii and nursing facilities to ensure access to safety net services for residents across the state to continue.

Thank you for your time and consideration of this matter.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.



House Committee on Finance

The Hon. Sylvia Luke, Chair

The Hon. Scott Y. Nishimoto, Vice Chair

Testimony on House Bill 582, HD 1
Relating to the Nursing Facility Sustainability Program
Submitted by Nani Medeiros, Public Affairs and Policy Director
February 27, 2015, 11:00 am, Room 308

The Hawaii Primary Care Association supports HB 582, which makes adjustments to the Nursing Facility Sustainability Program and extends its sunset date to June 30, 2016.

The Legislature created this program two years ago by enacting Act 156, SLH 2012. Recognizing that Medicaid payments were below the actual costs of care, this program increases Medicaid payments to nursing facilities. The program does that by assessing a fee on nursing facilities, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to nursing facilities.

Thank you for the opportunity to testify.



Friday, February 27, 2015 – 11 a.m.
Conference Room #308

House Committee on Finance

To: Rep. Sylvia Luke, Chair
Rep. Scott Nishimoto, Vice Chair

From: George Greene
President & CEO
Healthcare Association of Hawaii

Re: **Testimony in Strong Support**
HB582 HD1 — Relating to the Nursing Facility Sustainability Program

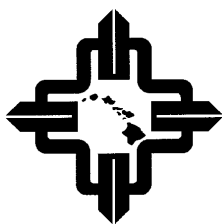
The Healthcare Association of Hawaii (HAH) is a 160 member organization that includes all of the acute care hospitals in Hawaii, the majority of long term care facilities, all the Medicare-certified home health agencies, all hospice programs, as well as other healthcare organizations including durable medical equipment, air and ground ambulance, blood bank and respiratory therapy. In addition to providing quality care to all of Hawaii's residents, our members contribute significantly to Hawaii's economy by employing nearly 20,000 people statewide.

Thank you for this opportunity to testify in **strong support** of HB582 HD1, which extends the sunset date of the Nursing Facility Sustainability Program to June 30, 2016.

The Legislature created this program three years ago by enacting Act 156, SLH 2012. Recognizing that Medicaid payments were below the actual costs of care, this program increases Medicaid payments to nursing facilities. The program does that by assessing a fee on nursing facilities, using the revenue to obtain matching federal Medicaid funds, and returning a majority of the combined amount directly to nursing facilities. Non-government nursing facilities are assessed an annual fee based on the amount of care they provide. Payment is based on the amount of a nursing facility's Medicaid utilization. As such, the fees and payments are different for every nursing facility.

Nursing facilities constitute a critical element of the health care continuum, and the majority of residents in Hawaii's nursing facilities are Medicaid enrollees. They are the ultimate beneficiaries of this bill, which ensures that they continue to have access to quality care. It is important to note that the program generates revenue for the state and its healthcare facilities without any state funding.

Thank you for the opportunity to testify in strong support of HB582.



HAWAII HEALTH SYSTEMS
C O R P O R A T I O N

"Quality Healthcare For All"

**House Committee on Finance
Representative Sylvia Luke, Chair
Representative Scott Y. Nishimoto, Vice Chair**

February 27, 2015
Conference Room 308
11:00 a.m.
Hawaii State Capitol

Testimony Supporting House Bill 582, HD1, Relating to the Nursing Facility Sustainability Program
Continues the Nursing Facility Sustainability Program for one year; appropriates funds out of the Nursing Facility Sustainability Program Special Fund for Fiscal Year 2015-2016.

Linda Rosen, M.D., M.P.H.
Chief Executive Officer
Hawaii Health Systems Corporation

On behalf of the Hawaii Health Systems Corporation (HHSC) Corporate Board of Directors, thank you for the opportunity to present testimony in support of HB 582, HD1, that continues the Nursing Facility Sustainability Program.

Given that health care provider reimbursements are declining at both the federal and state level, it is imperative that health care providers find innovative ways to generate revenues to offset the decline in reimbursements. We believe that the concept of a provider fee on health care items or services provided by nursing facilities is a good financing mechanism that leverages federal funds to increase the reimbursements to nursing facilities from the MedQUEST programs.

As is common in other states that have implemented sustainability fee programs, the public hospitals of the Hawaii Health Systems Corporation are being exempted from the nursing facility sustainability program. This is being done to maximize both the amount of federal funds that the private nursing facilities will receive through the nursing facility sustainability fee program and the amount of federal matching funds the public hospitals can receive under the State of Hawaii's Section 1115 waiver. As a matter of public policy, the public hospitals should be allowed to utilize their certified public expenditures to the maximum extent possible for their exclusive benefit as a means of continuing financing for their operating deficits. In this way, the greatest amount of federal funds

may be realized and the private nursing facilities and the public hospitals as a whole will receive greater reimbursements than they are currently receiving.

Thank you for the opportunity to testify before this committee. We would respectfully recommend the Committee's support of this measure.